
A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. (a) The legislature finds that a study
2 published by Theodore Slotkin, a neuroscientist at Duke
3 University, demonstrates that nicotine has a similarly harmful
4 effect on developing brains as chlorpyrifos, a chemical agent
5 used in pesticides that was banned in the State by Act 45,
6 Session Laws of Hawaii 2018. The legislature further finds that
7 exposure to nicotine in utero can cause serious harm to
8 children, ranging from death due to Sudden Infant Death Syndrome
9 to learning and behavioral problems later in life. In
10 recognition of the damage that nicotine can inflict on
11 developing brains, Hawaii was the first state to raise the legal
12 smoking age to twenty-one in 2016.

13 In 2013, the Food and Drug Administration contracted with
14 the Institute of Medicine to convene a committee to study the
15 impact of raising the minimum age for purchase of tobacco
16 products to either twenty-one or twenty-five years. In their
17 study, the Institute of Medicine found that raising the minimum



1 age to twenty-five would lead to a significant decrease in
2 smoking prevalence as well as substantial reductions in smoking-
3 related mortality.

4 (b) The University of Hawaii cancer center is one of only
5 sixty-nine National Cancer Institute-designated cancer centers
6 in the United States and the only center in Hawaii and the
7 Pacific. Cancer is the second leading cause of death in Hawaii
8 residents. Each year, there are approximately six-thousand
9 seven-hundred cancer diagnoses in our State. In 2016, there
10 were over fifty-eight thousand Hawaii residents living with
11 cancer. Through clinical research, the University of Hawaii
12 cancer center can better understand how to diagnose, treat, and
13 prevent cancers. In addition, the University of Hawaii cancer
14 center works collaboratively with several University of Hawaii
15 schools and centers, private organizations, health
16 professionals, cancer researchers, as well as local hospital
17 systems to conduct community education and outreach focused on
18 cancer prevention and control to help reduce the burden of
19 cancer in our State.

20 Currently, pursuant to section 304A-2168 of the Hawaii
21 Revised Statutes, a primary source of funding for the University



1 of Hawaii cancer center comes from the cigarette tax. Reliance
2 on the unpredictable and variable nature of a cigarette tax to
3 serve as a source of funding to a State necessity such as the
4 University of Hawaii cancer center is problematic. The doctors,
5 researchers, staff, and volunteers at the University of Hawaii
6 cancer center have more than enough to focus on. Worrying about
7 funding and the potentialities that can result from the
8 inconsistency of funding should not be one of them. There needs
9 to be a stable and prosperous source of funding for the
10 University of Hawaii cancer center. With all of the great work
11 that the University of Hawaii cancer center provides to the
12 State, the center is still greatly under-resourced. To ensure a
13 healthy State for future generations, it is imperative that we
14 strengthen efforts that provide opportunity for a better
15 tomorrow.

16 The purpose of this Act is to establish the state lottery
17 commission and allow lottery proceeds to be used to fund the
18 University of Hawaii cancer center to help reduce the burden of
19 cancer in our State through efforts in research, education,
20 patient care, and community outreach.



1 SECTION 2. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 STATE LOTTERY

6 § -1 Definitions. For the purposes of this chapter,
7 unless the context clearly requires otherwise:

8 "Administrative account" means the lottery administrative
9 account established under section -26.

10 "Commission" means the state lottery commission established
11 under section -3.

12 "Director" means the director of the state lottery
13 established by this chapter.

14 "Lottery" or "state lottery" means the lottery established
15 and operated pursuant to this chapter.

16 "Ticket" means a lottery ticket.

17 § -2 Hawaii state lottery task force. (a) There is
18 established a Hawaii state lottery task force within the
19 department of accounting and general services for administrative
20 purposes. The purpose of the task force is to examine the
21 creation and sustainability of a state lottery, the proceeds of



1 which would be used to address funding issues for the University
2 of Hawaii cancer center.

3 (b) The task force shall begin no later than September 1,
4 2020, and shall cease after December 31, 2024.

5 § -3 State lottery commission; establishment;

6 membership; chair; quorum. (a) There is established the state
7 lottery commission to consist of five members appointed by the
8 governor, with the advice and consent of the senate, pursuant to
9 section 26-34. The governor shall designate one member of the
10 commission to serve as chairperson. A majority of the members
11 shall constitute a quorum for the transaction of business.

12 (b) Notwithstanding any other law to the contrary, members
13 shall be compensated \$ per year and shall be reimbursed
14 for actual costs incurred in carrying out the duties of the
15 commission, including travel expenses.

16 (c) The lottery commission shall be attached to the
17 department of commerce and consumer affairs for administrative
18 purposes.

19 § -4 Powers and duties of commission; rules. (a) The
20 commission shall have the following powers and duties:



- 1 (1) Adopt, amend, or repeal rules pursuant to chapter 91
2 governing the establishment and operation of a state
3 lottery, so as to begin operation of the lottery as
4 soon as practicable and to produce the maximum amount
5 of net revenues for the State consistent with the
6 dignity of the State, as well as any other rules the
7 commission deems necessary or desirable;
- 8 (2) Ensure that in each place authorized to sell tickets,
9 on the back of each ticket and in any advertising or
10 promotion, there shall be conspicuously displayed an
11 estimate of the probability of purchasing a winning
12 ticket; and
- 13 (3) Advise and make recommendations to the director for
14 the operation and administration of the lottery.
- 15 (b) Rules adopted pursuant to chapter 91 shall include:
- 16 (1) The type of lottery to be conducted, which may include
17 the selling of lottery tickets; provided that the
18 tickets may not be sold over the Internet and the use
19 of electronic or mechanical devices or video terminals
20 that allow for individual play against those devices
21 or terminals shall be prohibited;



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- 1 (2) The price or prices of tickets in each game;
- 2 (3) The numbers and sizes of the prizes on the winning
- 3 tickets;
- 4 (4) The manner and time of payment of prizes to the holder
- 5 of winning tickets which, at the director's option,
- 6 may be paid in lump sum amounts or by installments
- 7 over a period of years;
- 8 (5) The frequency of the lottery games;
- 9 (6) Without limit as to number, the type or types of
- 10 locations at which tickets may be sold;
- 11 (7) The method to be used in selling tickets, subject to
- 12 paragraph (1);
- 13 (8) The licensing of agents to sell or distribute tickets,
- 14 except that a person under the age of eighteen shall
- 15 not be licensed as an agent;
- 16 (9) The manner and amount of compensation, if any, to be
- 17 paid to licensed sales agents necessary to provide for
- 18 the adequate availability of tickets to prospective
- 19 buyers and for the convenience of the public;
- 20 (10) The apportionment of the total revenues accruing from
- 21 the sale of tickets and from all other sources among:



- 1 (A) The payment of prizes to the holders of winning
2 tickets, which shall not be less than per
3 cent of the gross annual revenue from the
4 lottery;
- 5 (B) Transfers to the administrative account;
- 6 (C) Transfers to the Hawaii cancer research special
7 fund established pursuant to section 304A-2168,
8 and the general fund;
- 9 (D) Transfers of per cent, but not more than
10 \$7,400,000 in a fiscal year, to the trauma system
11 special fund established pursuant to section 321-
12 22.5;
- 13 (E) Transfers of per cent, but not more than
14 \$8,800,000 in a fiscal year, to the community
15 health centers special fund established pursuant
16 to section 321-1.65; and
- 17 (F) Transfers of per cent, but not more than
18 \$8,800,000 in a fiscal year, to the emergency
19 medical services special fund established
20 pursuant to section 321-234; and



1 (11) Any other matters necessary or desirable for the
2 efficient and economical operation and administration
3 of a state lottery and for the convenience of the
4 purchasers of tickets and the holders of winning
5 tickets.

6 § -5 **New games.** (a) The lottery commission shall
7 conduct new games intended to generate additional moneys
8 sufficient to cover the distributions under section -23. No
9 game shall be conducted under this section before January 1,
10 2021.

11 (b) For the purposes of this section, the lottery may
12 accept and market prize promotions provided in conjunction with
13 private-sector marketing efforts.

14 § -6 **Director; appointment; salary; duties.** (a) The
15 governor shall appoint the director with the advice and consent
16 of the senate. The director shall receive a salary to be
17 determined by the governor, which shall not be more than ninety
18 per cent of the salary of the governor.

19 (b) The director shall:



- 1 (1) Supervise and administer the operation of the lottery
2 in accordance with this chapter and the rules of the
3 commission;
- 4 (2) Without regard to chapters 76 and 89, appoint deputy
5 and assistant directors that may be required to carry
6 out the functions and duties of the director;
- 7 (3) Appoint professional, technical, and clerical
8 assistants and employees that may be necessary to
9 perform the duties imposed by this chapter; provided
10 that chapters 76 and 89 shall not apply to any
11 employees engaged in undercover audit, investigative
12 work, or security operations but shall apply to other
13 employees appointed by the director;
- 14 (4) In accordance with this chapter and the rules adopted
15 by the commission, license any persons as agents to
16 sell or distribute tickets who in the director's
17 opinion will best serve the public convenience and
18 promote the sale of tickets. The director may require
19 a bond from any licensed agent, in any amount provided
20 in the rules of the commission. Every licensed agent
21 shall prominently display a license, or a copy, as



1 provided in the rules of the commission. License fees
2 may be established by the commission, and, if
3 established, shall be deposited in the state lottery
4 account created under section -22;

5 (5) Confer regularly as necessary or desirable with the
6 commission on the operation and administration of the
7 lottery; upon request, make available for inspection
8 by the commission all books, records, files, and other
9 information and documents of the lottery; and advise
10 the commission and make recommendations on any matters
11 that the director deems necessary and advisable to
12 improve the operation and administration of the
13 lottery;

14 (6) Enter into contracts for the operation of the lottery,
15 or any part thereof, and for the promotion of the
16 lottery. No contract awarded or entered into by the
17 director may be assigned by the holder except by
18 specific approval of the commission; provided that
19 nothing in this chapter shall authorize the director
20 to enter into public contracts for the regular and



- 1 permanent administration of the lottery after the
2 initial development and implementation;
- 3 (7) Certify quarterly to the director of finance and the
4 commission a full and complete statement of lottery
5 revenues, prize disbursements, and other expenses for
6 the preceding quarter;
- 7 (8) Carry on a continuous evaluation of the lottery
8 throughout the State to:
- 9 (A) Identify any defects in this chapter or rules
10 adopted pursuant thereto that may give rise to
11 any abuse in the administration and operation of
12 the lottery or any evasion of this chapter or
13 rules adopted pursuant thereto that may lead to
14 the proliferation of illegal activity;
- 15 (B) Recommend any amendments to this chapter or rules
16 adopted pursuant thereto necessary to prevent
17 abuses and evasions; and
- 18 (C) Ensure that this chapter and rules adopted
19 pursuant thereto are administered in a manner
20 that serves the true intent of this chapter;



1 (9) Have all enforcement powers necessary to implement
2 this chapter; and

3 (10) Perform all other actions necessary to carry out the
4 purposes of this chapter.

5 § -7 Licenses for lottery sales agents. (a) No license
6 as an agent to sell tickets shall be exclusively issued to any
7 one person to act as a lottery sales agent. Before issuing a
8 license, the director shall consider the following factors:

9 (1) Financial responsibility and security of the person
10 and the person's business or activity;

11 (2) Accessibility of the person's place of business or
12 activity to the public;

13 (3) Sufficiency of existing licenses to serve the public
14 convenience; and

15 (4) Volume of expected sales.

16 (b) For purposes of this section, the term "person":

17 (1) Means an individual, association, corporation, club,
18 trust, estate, society, company, joint stock company,
19 receiver, trustee, assignee, referee, or any other
20 person acting in a fiduciary or representative



1 capacity, whether appointed by a court or otherwise,
2 and any combination of individuals; and

3 (2) Does not mean any department, commission, agency, or
4 instrumentality of the State, or any county or agency
5 or instrumentality thereof.

6 § -8 License as authority to act. Any person licensed
7 pursuant to this chapter is authorized to act as a lottery sales
8 agent.

9 § -9 Denial, suspension, and revocation of licenses.

10 (a) The director may deny an application for or suspend or
11 revoke, after notice and hearing, any license issued pursuant to
12 this chapter. A license may be temporarily suspended by the
13 director without prior notice, pending any prosecution,
14 investigation, or hearing. A license may be suspended or
15 revoked or an application may be denied by the director for one
16 or more of the following reasons:

17 (1) Failure to:

18 (A) Account for tickets received or the proceeds of
19 the sale of tickets;

20 (B) File a bond if required by the director;



- 1 (C) File any return or report or to keep records or
- 2 to pay any tax required by this chapter; or
- 3 (D) Comply with the instructions of the director
- 4 concerning the licensed activity;
- 5 (2) For a violation of this chapter or rules adopted
- 6 pursuant to this chapter;
- 7 (3) Fraud, deceit, misrepresentation, or conduct
- 8 prejudicial to public confidence in the state lottery;
- 9 (4) Ticket sales by the licensee that are insufficient to
- 10 meet administrative costs;
- 11 (5) Insufficient need where public convenience is
- 12 adequately served by other licensees; or
- 13 (6) A material change, after issuance of the license, with
- 14 respect to any matters required to be considered by
- 15 the director under section -7.
- 16 (b) For the purpose of reviewing any application for a
- 17 license and for considering the denial, suspension, or
- 18 revocation of any license, the director may consider any prior
- 19 criminal conduct of the applicant or licensee.



1 § -10 Right to prize not assignable; exceptions. (a)

2 The right of any person to a prize shall not be assignable;
3 provided that:

4 (1) Payment of any prize drawn or the remainder of any
5 annuity purchased may be paid to any of the following:

6 (A) The estate of a deceased prize winner;

7 (B) The beneficiary of a deceased prize winner; or

8 (C) A person pursuant to an appropriate judicial
9 order;

10 (2) Payments to winners in an amount exceeding \$600 shall
11 be subject to setoff pursuant to section -25; and

12 (3) If a voluntary assignment occurs, the remainder of any
13 annuity, or a portion of the remainder of the annuity,
14 may be assigned by a prize winner pursuant to an
15 appropriate judicial order if all of the following
16 conditions are met:

17 (A) The prize winner provides an affidavit to the
18 court to the effect that the affiant is of sound
19 mind, not acting under duress, and has received
20 independent financial and tax advice concerning
21 the assignment;



1 (B) The assignee pays the prize winner a lump sum
2 under the assignment agreement for all amounts
3 that are due to the prize winner on or before the
4 date that the assignment takes effect; and

5 (C) The parties to the assignment pay a fee to the
6 commission to defray the expenses incurred by the
7 commission in processing the assignment. The
8 commission shall determine the amount of the fee.
9 Moneys collected by the commission pursuant to
10 this subparagraph shall be deposited in the
11 administrative account.

12 (b) The director shall make a voluntary assignment upon
13 receipt of a court order that meets the requirements of
14 subsection (a)(3).

15 (c) The commission and director shall be discharged of all
16 further liability upon payment of a prize pursuant to this
17 section.

18 § -11 **Maximum price of ticket limited; sale by other**
19 **than licensed agent prohibited.** A person shall not sell a
20 ticket at a price greater than that fixed by rule of the
21 commission. No person other than a licensed lottery sales agent



1 shall sell tickets, except that nothing in this section shall
2 prevent any person from giving tickets to another person as a
3 gift.

4 **§ -12 Sale to minor prohibited; exception; penalties.**

5 (a) A ticket shall not be sold to any person under the age of
6 eighteen; provided that this shall not be deemed to prohibit the
7 purchase of a ticket for the purpose of making a gift by a
8 person eighteen years of age or older to a person younger than
9 the age of eighteen.

10 (b) Any licensee who knowingly sells or offers to sell a
11 ticket to any person under the age of eighteen shall be guilty
12 of a misdemeanor.

13 (c) A person under the age of eighteen who directly
14 purchases a ticket in violation of this section shall be guilty
15 of a misdemeanor. No prize shall be paid to that person and the
16 prize money otherwise payable on the ticket shall be treated as
17 unclaimed pursuant to section -18.

18 **§ -13 Prohibited acts; penalty.** (a) A person shall not
19 alter or forge a ticket. A person shall not claim a lottery
20 prize or share of a lottery prize by means of fraud, deceit, or
21 misrepresentation. A person shall not conspire with, aid, abet,



1 or agree to aid another person or persons to claim a lottery
2 prize or share of a lottery prize by means of fraud, deceit, or
3 misrepresentation.

4 (b) A violation of this section shall be a class B felony.

5 **§ -14 Penalty for unlicensed activity.** (a) A person
6 who conducts any activity for which a license is required by
7 this chapter or by rule of the commission, without the required
8 license, shall be guilty of a class B felony.

9 (b) Any corporation that conducts any activity for which a
10 license is required by this chapter or by rule of the
11 commission, without the required license, may be punished by
12 forfeiture of its corporate charter, in addition to the other
13 penalties set forth in this section.

14 **§ -15 Penalty for false or misleading statement or entry**
15 **or failure to produce documents.** Any person, in any application
16 for a license or in any book or record required to be maintained
17 or in any report required to be submitted, who makes any false
18 or misleading statement, or makes any false or misleading entry
19 or willfully fails to maintain or make any entry required to be
20 maintained or made, or who willfully refuses to produce for
21 inspection any book, record, or document required to be



1 maintained or made by federal or state law shall be guilty of a
2 misdemeanor and, notwithstanding section 706-640, shall be
3 subject to a fine of not less than \$ but not more than
4 \$.

5 **§ -16 Penalty for violation of chapter; exceptions.** (a)

6 Any person who commits a violation of this chapter, or any rule
7 adopted pursuant to this chapter, for which no penalty is
8 otherwise provided, or who knowingly causes, aids, abets, or
9 conspires with another to cause any person to violate this
10 chapter or the rules adopted pursuant thereto, shall be guilty
11 of a class C felony.

12 (b) Activities conducted in compliance with this chapter
13 shall be exempt from gambling offenses under part III of chapter
14 712.

15 **§ -17 Persons prohibited from purchasing tickets or**
16 **receiving prizes; penalty.** (a) A ticket shall not be purchased
17 by, and a prize shall not be paid to, any member of the
18 commission, the director, or an employee of the lottery or to
19 any spouse, child, brother, sister, or parent residing as a
20 member of the same household in the principal place of abode of



1 any member of the commission, the director, or an employee of
2 the lottery.

3 (b) A violation of this section shall be a misdemeanor.

4 § -18 **Unclaimed prizes.** Unclaimed prizes shall be
5 retained in the state lottery account established by section
6 -22 for the person entitled thereto for one hundred eighty
7 days after the official end of the game. If no claim is made
8 for the prize within this time, all rights to the prize shall be
9 extinguished, and the prize shall be retained in the state
10 lottery account established by section -22 for further use as
11 prizes.

12 § -19 **Deposit of moneys received by agents from sales;
13 power of director; reports.** The director, in the director's
14 discretion, may require any or all lottery sales agents to
15 deposit to the credit of the state lottery account in banks
16 designated by the director of finance, all moneys received by
17 those agents from the sale of tickets, less the amount, if any,
18 retained as compensation for the sale of the tickets, and to
19 file with the director reports of their receipts and
20 transactions in the sale of tickets in a form and containing the
21 information as the director may require. The director may make



1 any arrangements for any person, including a bank, to perform
2 any functions, activities, or services in connection with the
3 operation of the lottery as the director may deem advisable
4 pursuant to this chapter and the rules of the commission, and
5 the functions, activities, or services shall constitute lawful
6 functions, activities, and services of that person.

7 **§ -20 Other law inapplicable to sale of tickets.** No
8 other law providing any penalty for the sale of tickets or any
9 acts done in connection with a lottery shall apply to the sale
10 of tickets performed pursuant to this chapter.

11 **§ -21 Payment of prizes to minor.** If the person
12 entitled to a prize is a minor under the age of eighteen and the
13 prize is less than \$5,000, the director may pay the prize to an
14 adult member of the minor's family or a guardian of the minor by
15 a check or draft payable to the order of the minor; provided
16 that, if the prize is \$5,000 or more, the director shall pay the
17 minor by depositing the amount of the prize in any bank to the
18 credit of an adult member of the minor's family or a guardian of
19 the minor as custodian for the minor. The commission and the
20 director shall be discharged of all further liability upon
21 payment of a prize to a minor pursuant to this section.



1 § -22 **State lottery account; established.** There is
2 established a separate account outside the state treasury, to be
3 known as the state lottery account. The account shall be
4 managed, maintained, and controlled by the commission and shall
5 consist of all revenues received from the sale of tickets, and
6 all other moneys credited or transferred to the account from any
7 other fund or source. No appropriation shall be required to
8 expend moneys from the account, if the moneys are being expended
9 or transferred in accordance with section -23.

10 § -23 **Use of moneys in state lottery account limited.**

11 The state lottery account shall be used only for the following
12 purposes:

- 13 (1) The payment of prizes to the holders of winning
14 tickets;
- 15 (2) Depositing ten per cent of all revenues received from
16 the sale of tickets, and all other moneys credited or
17 transferred thereto from any other fund or source
18 pursuant to law into the administrative account;
- 19 (3) Depositing forty per cent of all revenues received
20 from the sale of tickets and all other moneys credited
21 or transferred thereto from any other fund or source



- 1 pursuant to law into each of the following funds
2 equally:
- 3 (A) The Hawaii cancer research special fund
4 established pursuant to section 304A-2168;
 - 5 (B) The trauma system special fund established
6 pursuant to section 321-22.5, but not more than
7 \$7,400,000 in a fiscal year;
 - 8 (C) The community health centers special fund
9 established pursuant to section 321-1.65, but not
10 more than \$8,800,000 in a fiscal year;
 - 11 (D) The emergency medical services special fund
12 established pursuant to section 321-234, but not
13 more than \$8,800,000 in a fiscal year; and
 - 14 (E) The general fund;
- 15 (4) The purchase and promotion of tickets and game-related
16 services; and
 - 17 (5) The payment of agent compensation.

18 § -24 **Methods for payment of prizes by installments.** If
19 the director decides to pay any prize by installments over a
20 period of years, the director shall select, for any specific
21 lottery, only one of the following methods:



1 (1) The director may enter into a contract with any
2 financially responsible person or firm providing for
3 the payment of the installments; or

4 (2) The director may establish and maintain a reserve
5 account into which shall be placed sufficient moneys
6 for the director to pay installments as they become
7 due. The reserve account shall be maintained as a
8 separate and independent account outside the state
9 treasury.

10 § -25 Debts owed to state agency or counties; debt
11 information to lottery commission; prize setoff against debts.

12 (a) Any state agency or county that maintains records of debts
13 owed to the State or a county, or that the State is authorized
14 to enforce or collect, may submit debt information to the
15 director in a format specified by the director. State agencies
16 or counties submitting debt information shall provide updates to
17 the director no less than monthly and shall be solely
18 responsible for the accuracy of the information.

19 (b) The director shall include the debt information
20 submitted by state agencies or counties in its validation and
21 prize payment process. The director shall delay payment of a



1 prize exceeding \$600 for a period not to exceed two working
2 days, to any person owing a debt to a state agency or county
3 pursuant to the information submitted according to subsection
4 (a). The lottery shall contact the state agency or county
5 providing the debt information to verify the debt. The prize
6 shall be paid to the claimant if the debt is not verified by the
7 submitting state agency or county within two working days. If
8 the debt is verified, the prize shall be disbursed pursuant to
9 subsection (c).

10 (c) Prior to disbursement, any lottery prize exceeding
11 \$600 shall be set off against any debts owed by the prize winner
12 to the State or a county, or that the State is authorized to
13 enforce or collect.

14 **§ -26 Lottery administrative account; establishment.**

15 There is established the lottery administrative account in the
16 state treasury. The account shall be managed, controlled, and
17 maintained by the director. Moneys in the account shall be used
18 to cover administrative expenses incurred in the operation and
19 administration of the lottery.

20 **§ -27 Annual audit.** The auditor shall conduct an annual
21 audit of all accounts and transactions of the lottery and any



1 other special audits that the auditor may be directed to
2 conduct.

3 **§ -28 Investigations authorized.** The attorney general
4 may investigate violations by the commission, the director, or
5 the director's employees, licensees, or agents of this chapter
6 and other state laws.

7 **§ -29 Review by director of finance.** (a) The director
8 of finance may conduct periodic reviews of the state lottery and
9 the commission as are necessary to ensure that:

- 10 (1) The manner and timeliness of prize payments are
11 consistent with this chapter;
- 12 (2) The apportionment of total revenues from the sale of
13 tickets and from all other sources is consistent with
14 this chapter;
- 15 (3) The manner and type of lottery being conducted and
16 incidental expenses are the most efficient and cost-
17 effective; and
- 18 (4) The commission is not incurring unnecessary operating
19 and administrative costs.

20 (b) In conducting a review under this section, the
21 director of finance may inspect the books, documents, and



1 records of the commission. Upon completion of the review, the
2 director of finance shall report all irregularities discovered
3 to the attorney general, the legislature, and the state auditor.
4 In its report, the director of finance shall recommend any
5 corrective actions that may be necessary to ensure the most
6 efficient and cost-effective operation of the lottery.

7 **§ -30 Verification by certified public accountant.** The
8 director of finance shall contract with a certified public
9 accountant, in accordance with chapter 103D, to verify that:

- 10 (1) The manner of selecting the tickets complies with this
11 chapter; and
12 (2) The manner and timeliness of prize payments comply
13 with this chapter.

14 The cost of procuring these services shall be paid from the
15 lottery administrative account.

16 **§ -31 Enforcement powers of director.** The director
17 shall have the power to enforce this chapter and other state
18 laws relating to the conduct of or participation in lottery
19 activities and the manufacturing, importation, transportation,
20 distribution, possession, and sale of equipment or paraphernalia
21 used or for use in connection with the lottery. In carrying out



1 the director's enforcement authority, the director or
2 enforcement officers appointed by the director may investigate
3 violations of and apply for and execute all warrants and service
4 of process issued by the courts, and arrest, without a warrant,
5 any person or persons found in violation of any of the criminal
6 provisions of this chapter. To the extent set forth in this
7 section, the director may obtain information from and provide
8 information to other law enforcement agencies.

9 **§ -32 Construction.** This chapter shall be liberally
10 construed to carry out the purposes and policies of this
11 chapter."

12 SECTION 3. Section 245-15, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§245-15 Disposition of revenues.** All moneys collected
15 pursuant to this chapter shall be paid into the state treasury
16 as state realizations to be kept and accounted for as provided
17 by law[; ~~provided that, of the moneys collected under the tax~~
18 ~~imposed pursuant to:~~

19 ~~(1) Section 245-3(a)(5), after September 30, 2006, and~~
20 ~~prior to October 1, 2007, 1.0 cent per cigarette shall~~
21 ~~be deposited to the credit of the Hawaii cancer~~



1 ~~research special fund, established pursuant to section~~
2 ~~304A-2168, for research and operating expenses and for~~
3 ~~capital expenditures;~~

4 ~~(2) Section 245-3(a)(6), after September 30, 2007, and~~
5 ~~prior to October 1, 2008:~~

6 ~~(A) 1.5 cents per cigarette shall be deposited to the~~
7 ~~credit of the Hawaii cancer research special~~
8 ~~fund, established pursuant to section 304A-2168,~~
9 ~~for research and operating expenses and for~~
10 ~~capital expenditures;~~

11 ~~(B) 0.25 cents per cigarette shall be deposited to~~
12 ~~the credit of the trauma system special fund~~
13 ~~established pursuant to section 321-22.5; and~~

14 ~~(C) 0.25 cents per cigarette shall be deposited to~~
15 ~~the credit of the emergency medical services~~
16 ~~special fund established pursuant to section 321-~~
17 ~~234;~~

18 ~~(3) Section 245-3(a)(7), after September 30, 2008, and~~
19 ~~prior to July 1, 2009:~~

20 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
21 ~~credit of the Hawaii cancer research special~~



- 1 ~~fund, established pursuant to section 304A-2168,~~
2 ~~for research and operating expenses and for~~
3 ~~capital expenditures;~~
- 4 ~~(B) 0.5 cents per cigarette shall be deposited to the~~
5 ~~credit of the trauma system special fund~~
6 ~~established pursuant to section 321-22.5;~~
- 7 ~~(C) 0.25 cents per cigarette shall be deposited to~~
8 ~~the credit of the community health centers~~
9 ~~special fund established pursuant to section 321-~~
10 ~~1.65; and~~
- 11 ~~(D) 0.25 cents per cigarette shall be deposited to~~
12 ~~the credit of the emergency medical services~~
13 ~~special fund established pursuant to section 321-~~
14 ~~234;~~
- 15 ~~(4) Section 245-3(a)(8), after June 30, 2009, and prior to~~
16 ~~July 1, 2013:~~
- 17 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
18 ~~credit of the Hawaii cancer research special~~
19 ~~fund, established pursuant to section 304A-2168,~~
20 ~~for research and operating expenses and for~~
21 ~~capital expenditures;~~



- 1 ~~(B) 0.75 cents per cigarette shall be deposited to~~
2 ~~the credit of the trauma system special fund~~
3 ~~established pursuant to section 321-22.5;~~
- 4 ~~(C) 0.75 cents per cigarette shall be deposited to~~
5 ~~the credit of the community health centers~~
6 ~~special fund established pursuant to section 321-~~
7 ~~1.65; and~~
- 8 ~~(D) 0.5 cents per cigarette shall be deposited to the~~
9 ~~credit of the emergency medical services special~~
10 ~~fund established pursuant to section 321-234;~~
- 11 ~~(5) Section 245-3(a)(11), after June 30, 2013, and prior~~
12 ~~to July 1, 2015;~~
- 13 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
14 ~~credit of the Hawaii cancer research special~~
15 ~~fund, established pursuant to section 304A-2168,~~
16 ~~for research and operating expenses and for~~
17 ~~capital expenditures;~~
- 18 ~~(B) 1.5 cents per cigarette shall be deposited to the~~
19 ~~credit of the trauma system special fund~~
20 ~~established pursuant to section 321-22.5;~~



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- 1 ~~(C) 1.25 cents per cigarette shall be deposited to~~
2 ~~the credit of the community health centers~~
3 ~~special fund established pursuant to section 321-~~
4 ~~1.65; and~~
- 5 ~~(D) 1.25 cents per cigarette shall be deposited to~~
6 ~~the credit of the emergency medical services~~
7 ~~special fund established pursuant to section 321-~~
8 ~~234; and~~
- 9 ~~(6) Section 245-3(a)(11), after June 30, 2015, and~~
10 ~~thereafter;~~
- 11 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
12 ~~credit of the Hawaii cancer research special~~
13 ~~fund, established pursuant to section 304A-2168,~~
14 ~~for research and operating expenses and for~~
15 ~~capital expenditures;~~
- 16 ~~(B) 1.125 cents per cigarette, but not more than~~
17 ~~\$7,400,000 in a fiscal year, shall be deposited~~
18 ~~to the credit of the trauma system special fund~~
19 ~~established pursuant to section 321-22.5;~~
- 20 ~~(C) 1.25 cents per cigarette, but not more than~~
21 ~~\$8,800,000 in a fiscal year, shall be deposited~~



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1 ~~to the credit of the community health centers~~
2 ~~special fund established pursuant to section 321-~~
3 ~~1.65; and~~
4 (D) ~~1.25 cents per cigarette, but not more than~~
5 ~~\$8,800,000 in a fiscal year, shall be deposited~~
6 ~~to the credit of the emergency medical services~~
7 ~~special fund established pursuant to section 321-~~
8 ~~234.~~

9 ~~The department shall provide an annual accounting of these~~
10 ~~dispositions to the legislature]."~~

11 SECTION 4. Section 304A-2168, Hawaii Revised Statutes, is
12 amended by amending subsection (c) to read as follows:

13 "(c) The following shall be deposited into the special
14 fund:

- 15 (1) Moneys collected pursuant to section [245-15;] -4;
- 16 (2) All other fees, charges, and other moneys received in
17 conjunction with programs of the cancer research
18 center of Hawaii;
- 19 (3) Transfers from other accounts or funds; and
- 20 (4) Interest earned or accrued on moneys in the special
21 fund."

1 SECTION 5. Section 321-1.65, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) Moneys collected pursuant to section [~~245-15~~] -4
4 shall be deposited into the special fund."

5 SECTION 6. Section 321-22.5, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) , There is established within the state treasury a
8 special fund to be known as the trauma system special fund to be
9 administered and expended by the department of health. The fund
10 shall consist of:

11 (1) Surcharges collected pursuant to sections 291-15,
12 291C-2, and 291E-7;

13 (2) [~~Cigarette tax revenues designated under section 245-~~
14 ~~15,]~~ Lottery revenue designated under section -4;

15 (3) Federal funds granted by Congress or executive order
16 for the purpose of this chapter; provided that the
17 acceptance and use of federal funds shall not commit
18 state funds for services and shall not place an
19 obligation upon the legislature to continue the
20 purpose for which the federal funds are made
21 available;



- 1 (4) Funds appropriated by the legislature for this
2 purpose, including grants-in-aid;
- 3 (5) Grants, donations, and contributions from private or
4 public sources for the purposes of the trauma system
5 special fund; and
- 6 (6) Interest on and other income from the fund, which
7 shall be separately accounted for.

8 The unexpended and unencumbered moneys in the fund in
9 excess of \$7,400,000 on June 30 of each fiscal year shall be
10 transferred by the director of finance into and become a
11 realization of the general fund on that date. Expenditures from
12 the trauma system special fund shall be exempt from chapters
13 103D and 103F."

14 SECTION 7. Section 321-234, Hawaii Revised Statutes, is
15 amended by amending subsection (c) to read as follows:

16 "(c) Fees remitted pursuant to section 249-31, [~~eigarette~~
17 ~~tax revenues designated under section 245-15,~~] lottery revenue
18 designated under section -4, interest and investment earnings
19 attributable to the moneys in the special fund, legislative
20 appropriations, and grants, donations, and contributions from



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1 private or public sources for the purposes of the fund, shall be
2 deposited into the special fund."

3 SECTION 8. Section 712-1220, Hawaii Revised Statutes, is
4 amended by amending the definition of "gambling" to read as
5 follows:

6 "Gambling". A person engages in gambling if [~~he~~] the
7 person stakes or risks something of value upon the outcome of a
8 contest of chance or a future contingent event not under [~~his~~]
9 the person's control or influence, upon an agreement or
10 understanding that [~~he~~] the person or someone else will receive
11 something of value in the event of a certain outcome. Gambling
12 does not include [~~bona~~]:

13 (1) Bona fide business transactions valid under the law of
14 contracts, including but not limited to contracts for
15 the purchase or sale at a future date of securities or
16 commodities [~~, and agreements~~];

17 (2) Agreements to compensate for loss caused by the
18 happening of chance, including but not limited to
19 contracts of indemnity or guaranty and life, health,
20 or accident insurance [~~-~~]; or

21 (3) The state lottery established under chapter ."



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1 SECTION 9. If any provision of this Act, or the
2 application thereof to any person or circumstance, is held
3 invalid, the invalidity does not affect other provisions or
4 applications of the Act that can be given effect without the
5 invalid provision or application, and to this end the provisions
6 of this Act are severable.

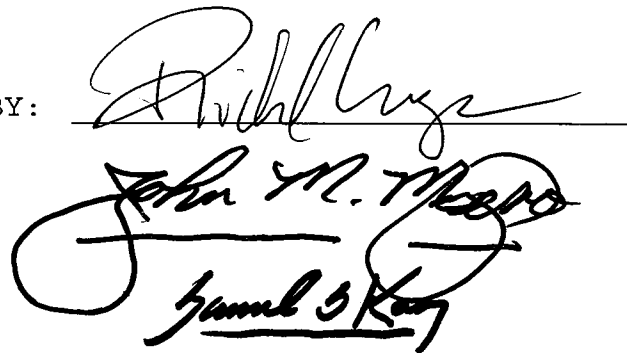
7 SECTION 10. This Act does not affect rights and duties
8 that matured, penalties that were incurred, and proceedings that
9 were begun before its effective date.

10 SECTION 11. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 12. This Act shall take effect on July 1, 2020.

13

INTRODUCED BY:



JAN 23 2020



H.B. NO. 2539

Report Title:

Cancer Research Fund; State Lottery Commission; Lottery

Description:

Establishes a State Lottery Commission to fund cancer research, community health centers, trauma systems, and emergency medical services. Amends disposition of funds from the State cigarette tax. Exempts the State lottery from the statutory definition of gambling.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

